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corp report



1967
ANNUAL REPORT

"Dairymen Since 1898"

DIRECTORS

R. W. Greenwood	- - - - -	Burlington
F. W. Hamilton	- - - - -	Ancaster
R. D. Isbister	- - - - -	Hamilton
D. A. C. Martin, Q.C.	- - - - -	Hamilton
A. S. McKee	- - - - -	Burlington
N. R. McLeod	- - - - -	Winona
W. P. Pigott	- - - - -	Ancaster

OFFICERS

President	- - - - -	F. W. Hamilton
Vice-President and General Manager	- -	R. W. Greenwood
Vice-President and Assistant Secretary	- -	A. S. McKee
Secretary-Treasurer	- - - - -	N. R. McLeod

BANKERS

Bank of Montreal

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company

PLANT AND OFFICES

Head Office — 225 East Ave. N., Hamilton, Ont.

Depot — 2237 Harold Road, Burlington, Ont.

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

We are pleased to submit the Balance Sheet of the Company at December 31, 1967 together with a Statement of Source and Application of Funds and the Statement of Income and Retained Earnings showing the results of operations for the year.

The company, for the first time, issued an interim statement in 1967 showing operating results for the six months ended June 30th. You will also note certain changes in form of statements from the report for the previous year and the inclusion of a statement of source and application of funds. These changes result from revisions in corporation and securities legislation relating to shareholder reporting.

Net profit for the year 1967 of \$71,405 is approximately 4% higher than the comparable figure for 1966. Earnings are equivalent to \$1.90 per Class A Share and \$.98 per Class B Share compared to per share earnings of \$1.82 and \$.92 respectively for the previous year.

There was a steady move from home delivery sales to store sales during the year resulting in a decline in the number of routes and an increase in the average volume of sales per route. This trend is expected to continue in the future. Overall volume of sales for the year was approximately 3% greater than the previous year.

All of the shares of Riverview Dairy Limited in Caledonia were purchased in June 1967. This company is relatively small compared to Royal Oak Dairy but the purchase will allow expansion of operations beyond previously licenced areas, and will contribute to the future growth of the company.

Expenditures on capital equipment amounted to \$95,000 and the larger individual items consisted of wholesale trucks.

On behalf of the Board of Directors,

FRED W. HAMILTON,
President.

March 27th, 1968,
Hamilton, Ontario.

ROYAL OAK D BALANCE

AS AT DECEMBER 31, 1967

(with comparative figures for 1966)

ASSETS

Current Assets:

	1967	1966
Cash	\$ 65,188	\$ 36,973
Marketable Securities, at cost (Market Value \$395,700)	297,736	298,101
Accounts Receivable	158,020	159,898
Accounts Receivable — Subsidiary	39,367	44,015
Inventories at lower of cost or replacement cost:		
Product and Raw Materials	26,556	25,526
Working Supplies	58,071	47,894
Prepaid Expenses	11,574	8,842
	<u>\$ 656,512</u>	<u>\$ 621,249</u>

Investment in Subsidiary Companies: (at cost less allowance for possible decline in value)

Shares	\$ 29,503	\$ 3
Loans	21,800	25,522
	<u>51,303</u>	<u>25,525</u>

Deferred Charges:

Cans, Cases and Other Deferred Items	65,803	61,988
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Fixed Assets:

Land, Buildings, Plant and Equipment as appraised at December 31, 1948 by the Dominion Appraisal Company Limited, with subsequent additions at cost	1,754,793	1,672,344
Less — Accumulated Depreciation as determined by the above mentioned appraisal at December 31, 1948 with subsequent provision based on the original cost of the assets	1,113,562	1,047,545
	<u>641,231</u>	<u>624,799</u>

Goodwill

.....	30,501	30,501
	<u>\$ 1,445,350</u>	<u>\$ 1,364,062</u>

Approved on behalf of the Board of Directors:

A. S. McKEE
Director

R. D. ISBISTER,
Director

AUDITOR'S REPORT

We have examined the balance sheet of Royal Oak Dairy, Limited as at December 31, 1967, and the source and application of funds for the year ended on that date. Our examination included the balance sheet and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the balance sheet and accompanying statements, together with the income statement for the year ended December 31, 1967 and the results of its operations for the year ended on that date, are in accordance with that of the preceding year.

Hamilton, Ontario,
February 23, 1968.

AIRY, LIMITED

SHEET

BER 31, 1967

at December 31, 1966)

LIABILITIES

Current Liabilities:

	1967	1966
Bank Loan — Secured	\$ 30,000	\$ 60,000
Accounts Payable and Accrued Charges	400,817	332,837
Payable to Subsidiary Company	8,776	—
Tickets and Bottles Outstanding	31,213	26,650
Liability for Taxes	10,964	—
Mortgage Principal due within one year	400	4,900
	<u>482,170</u>	<u>424,387</u>

Long-Term Liabilities:

First Mortgage, maturing June 30, 1975 at 7% per annum	6,600	7,000
	<u>6,600</u>	<u>7,000</u>

Shareholders' Equity:

Share Capital:

Authorized:

37,500 Class "A" Preference Shares of no par value, cumulative dividends of 60c per share per annum, convertible for Class "B" Common Shares

87,500 Class "B" Common Shares of no par value, of which 37,500 unissued shares are reserved for conversion of Class "A" Shares

Issued and Outstanding:

37,500 Class "A" Shares and 50,000 Class "B" Shares for	125,000	125,000
Retained Earnings	587,163	563,258
Excess of appraised value of fixed assets over depreciated cost	244,417	244,417
	<u>956,580</u>	<u>932,675</u>
	<u>\$ 1,445,350</u>	<u>\$ 1,364,062</u>

The accompanying notes are an integral part of the financial statements.

REPORT

For 31, 1967, the statement of income and retained earnings, and the statement of
and a general review of the accounting procedures and such tests of accounting records

notes appended thereto, present fairly the financial position of the company as at
in accordance with generally accepted accounting principles applied on a basis consistent

CHAGNON, MACGILLIVRAY & CO.,
Chartered Accountants,

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1967

(with comparative figures for the year 1966)

	1967	1966
Sales	\$ 4,397,926	\$ 4,259,923
Cost of Sales, Including Selling, General and Administrative Expenses	4,224,873	4,100,658
	173,053	159,265
Provision for Depreciation	78,746	71,413
Net Profit before Taxes on Income	94,307	87,852
Income Taxes	39,000	35,000
Net Profit from Dairy Operations	55,307	52,852
Income from Marketable Securities	16,098	15,475
Net Profit for the Year	71,405	68,327
Retained Earnings at beginning of year	563,258	542,431
	634,663	610,758
Dividends	47,500	47,500
Retained Earnings at end of year	\$ 587,163	\$ 563,258

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1967

(With comparative figures for the year 1966)

	1967	1966
Source of Funds:		
Net Profit for the Year	\$ 71,405	\$ 68,327
Charges not requiring cash outlay — depreciation	78,746	71,413
	150,151	139,740
Application of Funds:		
Additions to fixed assets — net	95,178	75,456
Mortgage payments	400	400
Dividends paid	47,500	47,500
Investment in subsidiaries	25,778	3,200
Increase in deferred expenditures	3,815	19,425
	172,671	145,981
Increase (Decrease) in Working Capital	(22,520)	(6,241)
Working Capital — Beginning of Year	196,862	203,103
Working Capital — End of Year	\$ 174,342	\$ 196,862

ROYAL OAK DAIRY LIMITED

Notes to Financial Statements For the Year Ended December 31, 1967

1. The Company has not included the assets and liabilities and income and expenses of its wholly-owned subsidiaries in its financial statements because the operations and size of the subsidiaries are either different in character or insignificant.
2. (a) The aggregate profits less losses of the subsidiaries for their fiscal periods ending in the year 1967 amounted to \$6,623 none of which has been included in the financial statements of the Company.

(b) The aggregated profits less losses of the subsidiaries since the dates of their acquisition amounted to \$2,857 none of which has been included in the financial statements of the Company.
3. The Company has guaranteed bank loans of one of its subsidiaries up to the amount of \$50,000.00.
4. The total direct remuneration paid to the Directors and Senior Officers of the Company in the year 1967 amounted to \$92,800.00.

